

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 PA-03 USIA-15 PRS-01

STR-08 DRC-01 /137 W

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P R 071000Z SEP 73

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC PRIORITY 670

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY OSLO

AMEMBASSY PARIS

UNCLAS STOCKHOLM 3174

E.O. 11652: N/A

TAGS: EFIN, EIND, SW

SUBJECT: VOLVO EXPECTED TO BUILD \$100 MILLION PLANT IN VIRGINIA

REF: STOCKHOLM A-364

1. SWEDISH NEWSPAPER STORIES SEPTEMBER 6 REPORTED THAT VOLVO IS EXPECTED TO ANNOUNCE DECISION SEPTEMBER 13 TO BUILD \$100 MILLION PLANT FOR ASSEMBLY OF PASSENGER CARS IN NORFOLK, VIRGINIA AREA. STOCKHOLM SVENSKA DAGBLADET QUOTED NORFOLK PILOT AS REPORTING THAT CONSTRUCTION WILL BEGIN AUTUMN 1974 AND THAT PLANT WILL INITIALLY EMPLOY 1,500 AND EVENTUALLY 4,000.

2. GOTEBOG HEADQUARTERS OF VOLVO WOULD NEITHER CONFIRM NOR DENY THIS INFORMATION TO ANY PAPER BUT SAID THAT PEHR GYLLENHAMMAR, MANAGING DIRECTOR OF VOLVO, WILL HOLD PRESS CONFERENCE IN NEW YORK SEPTEMBER 13 IN PRESENCE OF VIRGINIA GOVERNOR LINWOOD HOLTON TO ANNOUNCE "IMPORTANT DECISION."

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3. SVENSKA DAGBLADET COMMENTED THAT VALUE ADDED BY ASSEMBLY

OPERATIONS OF VIRGINIA FACILITY WOULD AMOUNT TO LESS THAN 20 PERCENT OF SALES VALUE OF CAR. REMAINING VALUE WILL BE EXPORTED TO US FROM SWEDEN. PRESUMABLY VOLVO IS USING THIS APPROACH WITH GOS WHICH HAS BEEN UNDER PRESSURE FROM LABOR TO CONTROL SWEDISH INVESTMENT ABROAD IN PRESENT PERIOD OF RELATIVELY HIGH UNEMPLOYMENT (REPAIR).

4. STOCKHOLM DAGENS NYHETER, NOTING THAT IT HAS BEEN KNOWN FOR SOME TIME THAT VOLVO WAS CONSIDERING LOCATING A PLANT IN EITHER US OR FRANCE, SPECULATED THAT DE FACTO DEVALUATION OF DOLLAR PROBABLY PROMPTED VOLVO TO CHOOSE US TO PROTECT ITS GROWING SHARE OF BIG AMERICAN AUTOMOBILE MARKET. ACCORDING TO SVENSKA DAGBLADET, VOLVO EXPECTS TO SELL 60,000 PASSENGER CARS IN US THIS YEAR, SLIGHTLY MORE THAN IT WILL SELL IN SWEDEN. LAST YEAR, VALUE OF VOLVO SALES TO US WAS SKR 1.028 BILLION OUT OF TOTAL VOLVO EXPORTS OF SKR 3.354 BILLION (ABOUT \$800 MILLION AT CURRENT RATE OF SKR 4.20 TO US \$1.00).

5. SAME PAPER CITED EXPANDED VOLVO ASSEMBLY OPERATIONS IN BELGIUM AND CANADA. ENLARGED PLANT AT GHENT, NOW NEARLY COMPLETE, REPORTEDLY WILL HAVE CAPACITY TO ASSEMBLE 70,000 PASSENGER CARS ANNUALLY, WHILE EXPANSION AT HALIFAX WILL RAISE CAPACITY THERE TO 15,000 CARS.

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